

Division of Securities
Utah Department of Commerce
160 East 300 South
P. O. Box 146760
Salt Lake City, UT 84114-6760
Telephone: (801) 530-6600
FAX: (801) 530-6980

**BEFORE THE DIVISION OF SECURITIES
OF THE DEPARTMENT OF COMMERCE
OF THE STATE OF UTAH**

IN THE MATTER OF:

THOMAS MITCHELL JOHNSON

Respondent.

ORDER TO SHOW CAUSE

Docket No. SD-06-0032

It appears to the Director of the Utah Division of Securities (Director) that Thomas Mitchell Johnson (Respondent) may have engaged in acts and practices that violate the Utah Uniform Securities Act, Utah Code Ann. § 61-1-1, et seq. (the Act). Those acts are more fully described herein. Based upon information discovered in the course of the investigation of this matter by the Utah Division of Securities (the Division), the Director issues this Order to Show Cause in accordance with the provisions of § 61-1-20(1) of the Act.

STATEMENT OF JURISDICTION

1. Jurisdiction over Respondent and subject matter is based on allegations that the Respondent violated § 61-1-1 (Securities Fraud) of the Act while engaged in the offer and sale of securities in Utah.

STATEMENT OF FACTS

THE PARTIES

2. Thomas Mitchell Johnson (Johnson) resides in Los Angeles County, California. Johnson represents himself to be the CEO of a private investment banking firm called Zurich Capital Holding, Inc. Zurich Capital Holdings, Inc. is located at 468 N. Camden Dr. Suite #300, Beverly Hills, California, but is not registered as a business entity in California, or in Utah.

GENERAL ALLEGATIONS

3. In April 2005, Johnson arranged a meeting with Rashid Qajar (Qajar), the founder of Telsecure Europe¹, and told Qajar he was interested in purchasing \$2-3 million of Telsecure stock. At Qajar's request, Johnson filled out a purchaser subscription

¹ Telsecure Europe is represented to be a company headquartered in the United Kingdom with an office in Canada. According to its website, Telsecure develops technology used to verify and authenticate a purchase when a debit or credit cardholder is not present at the time of making the purchase via the Internet or by mail order and telephone order. *Telsecure* (visited June 5, 2006) <<http://www.telsecure.com/about.htm>>.

agreement, but he did not purchase Telsecure stock, nor did he give Qajar or Telsecure money for the purchase of stock.

4. In early April 2005, Johnson introduced Utah investor (Investor) to an investment opportunity in Telsecure. Johnson told Investor Telsecure was a great investment opportunity, and that Telsecure owned technology used to “secure merchant bank service transactions.” Johnson also told Investor he owned the rights to offer and sell Telsecure stock in the United States.
5. In April 2005, Johnson offered Investor the opportunity to purchase 1% interest in Telsecure for \$50,000. Johnson told Investor that 1% of Telsecure was actually worth \$100,000, and that Investor would receive the \$100,000 within 2 to 4 months of investing.
6. Investor traveled to California several times to meet with Johnson, and Johnson traveled to Utah to meet with Investor regarding the investment opportunity in Telsecure.
7. Investor told Johnson he had \$45,000 available but he would need the money in a few months to pay for a sewer line in a mobile home park he owned in California. Investor told Johnson he had permit problems with the mobile park home in California and emphasized that his investment had to be liquid and returned when needed. Johnson told Investor that liquidity would not be a problem, and that Investor’s investment would be available when and if Investor needed it.

8. Investor told Johnson he needed 100% guarantee that he could get his investment returned when necessary. Johnson assured Investor it would not be a problem because Telsecure was scheduled to “get funded” within a few months.
9. On April 15, 2005, Investor invested in Telsecure by giving Johnson a check from his E-Trade account for \$10,000. Johnson instructed Investor to make the check payable to “Dansco².” Johnson did not tell Investor what Dansco was, or why it was to receive his investment funds. Investor’s investment check was deposited into Dansco’s bank account shortly thereafter.
10. On April 15, 2005, Investor received a letter from Johnson on Zurich Capital Holdings, Inc. letterhead, which acknowledged receipt of a \$10,000 deposit on a \$100,000 interest in Telsecure.
11. On April 28, 2005, Investor made a second investment in Telsecure by giving Johnson a check from his E-Trade account for \$35,000. Johnson again instructed Investor to make the check payable to “Dansco.” Investor’s investment check was deposited into Dansco’s bank account shortly thereafter.
12. About three months after investing, Investor tried to contact Johnson, but he would not return Investor’s telephone calls.

² Dansco is not a registered entity in California or Utah, and nothing is known about its business purpose.

13. Investor eventually made contact with Johnson, and Johnson promised Investor he would have his money the following week.
14. As of the date of this OSC Investor has received nothing from his supposed investment in Telsecure, arranged by Johnson.

CAUSES OF ACTION

COUNT I

Securities Fraud under § 61-1-1 of the Act (Thomas Mitchell Johnson)

15. The Division incorporates and re-alleges paragraphs 1 through 14.
16. The stock offered and sold by Johnson to Investor is a security under § 61-1-13 of the Act.
17. In connection with the offer and sale of a security to Investor, Johnson, directly or indirectly, made false statements to Investor, including, but not limited to, the following:
 - a. That he owned the rights to offer Telsecure stock in the United States, when, in fact, Johnson never “owned” such rights, was never employed by Telsecure in any capacity, Telsecure is not a publicly traded company, and Telsecure sells its shares through the company alone;
 - b. That Investor’s investment was in Telsecure stock, when, in fact, Telsecure never received Investor’s money;

- c. That Investor's investment in Telsecure was liquid and could be returned whenever Investor needed it, when, given that Johnson was not employed by Telsecure in any capacity, did not invest Investor's funds in Telsecure, and had a criminal history which included grand theft, Johnson had no reasonable basis on which to make this representation;
 - d. That a return on Investor's investment would not be a problem because Telsecure was scheduled to "get funded" within a few months, when, given that Johnson was not employed by Telsecure in any capacity and did not invest Investor's funds in Telsecure, Johnson had no reasonable basis on which to make this representation; and
 - e. That Investor could purchase 1% interest in Telsecure for \$50,000, and receive a return of 100% within 2 to 4 months, when, given that Johnson was not employed by Telsecure in any capacity, he had no reasonable basis on which to make this representation.
18. In connection with the offer and sale of a security to Investor, Johnson failed to disclose material information, including, but not limited to, the following:
- a. That Johnson had twice been convicted of grand theft of property in California, once in 1986, and again in 1994, and served a total of 16 months in the California State Prison.

- b. Some or all of the information typically provided in an offering circular or prospectus regarding Telsecure, Dansco, and Zurich Capital Holding, Inc., such as:
- i. The business, operating history, and relationships of Telsecure, Dansco, and Zurich Capital Holding, Inc.;
 - ii. Where Investor's \$50,000 would be held, and under what conditions;
 - iii. Identities of the principals for Telsecure, Dansco, and Zurich Capital Holdings, Inc., along with their experience in this type of business;
 - iv. Whether Johnson was licensed to sell securities;
 - v. Agent commissions or compensation for selling the investment;
 - vi. Financial statements for the companies;
 - vii. The market for the product of the companies;
 - viii. The nature of the competition for the product;
 - ix. Current capitalization of the issuer of the securities;
 - x. A description of how the investment would be used by the business;
 - xi. Risk factors for investors;
 - xii. The number of other investors;
 - xiii. The minimum capitalization needed to participate in the investment;

- xiv. The disposition of any investments received if the minimum capitalization were not achieved;
- xv. Discussion of pertinent suitability factors for the investment;
- xvi. The proposed use of the investment proceeds;
- xvii. Any conflicts of interest the issuer, the principals, or the agent may have with regard to the investment; and
- xviii. Whether the investment is a registered security or exempt from registration.

19. Based on the above, Thomas Mitchell Johnson willfully violated § 61-1-1 of the Act.

ORDER

The Director, pursuant to § 61-1-20 of the Act, hereby orders Respondent to appear at a formal hearing to be conducted in accordance with Utah Code Ann. §§ 63-46b-4 and 63-46b-6 through -10, and held before the Utah Division of Securities. The hearing will occur on Monday, July 31, 2006, at 9:00 a.m., at the office of the Utah Division of Securities, located in the Heber Wells Building, 160 East 300 South, 2nd Floor, Salt Lake City, Utah. If Respondent fails to file an answer or appear at the hearing, the Division of Securities may hold Respondent in default, and a fine may be imposed in accordance with Utah Code Ann. § 63-46b-11. In lieu of default, the Division may decide to proceed with the hearing under § 63-46b-10. At the hearing, Respondent may show cause, if any he has:


- a. Why Thomas Mitchell Johnson should not be found to have engaged in the violations alleged by the Division in this Order to Show Cause;
- b. Why Thomas Mitchell Johnson should not be ordered to cease and desist from engaging in any further conduct in violation of Utah Code Ann. § 61-1-1, or any other section of the Act; and
- c. Why Thomas Mitchell Johnson should not be ordered to pay a fine of fifty thousand dollars (\$50,000) to the Division.

DATED this 26th day of June, 2006.


WAYNE KLEIN
Director, Utah Division of Securities



Approved:


JEFFREY BUCKNER
Assistant Attorney General

M. H.

Division of Securities
Utah Department of Commerce
160 East 300 South
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**BEFORE THE DIVISION OF SECURITIES
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IN THE MATTER OF:

THOMAS MITCHELL JOHNSON;

Respondent.

NOTICE OF AGENCY ACTION

Docket No. SD-06-0032

THE DIVISION OF SECURITIES TO THE ABOVE-NAMED RESPONDENT:

The purpose of this Notice of Agency Action is to inform you that the Division hereby commences a formal adjudicative proceeding against you as of the date of the mailing of the Order to Show Cause. The authority and procedure by which this proceeding is commenced are provided by Utah Code Ann. §§ 63-46b-3 and 63-46b-6 through 11. The facts on which this action is based are set forth in the foregoing Order to Show Cause.

Within thirty (30) days of the mailing date of this notice, you are required to file an Answer with the Division. The Answer must include the information required by Utah Code § 63-46b-6(1). In addition, you are required by § 63-46b-6(3) to state: a) by paragraph, whether you admit or deny each allegation contained in the Order to Show Cause, including a detailed explanation for any response other than an unqualified admission; b) any additional facts or documents which you assert are relevant in light of the allegations made; and c) any affirmative

defenses (including exemptions or exceptions contained within the Utah Uniform Securities Act) which you assert are applicable. To the extent that factual allegations or allegations of violations contained in the Order to Show Cause are not disputed in your Answer, they will be deemed admitted.

Your Answer should be filed with the Division, attention Pam Radzinski, P.O. Box 146760, Salt Lake City, Utah 84114-6760. A copy of your Answer should also be mailed to the Division's attorney, Jeff Buckner, Assistant Attorney General in the Utah Attorney General's Office, 160 East 300 South, P.O. Box 140872, Salt Lake City Utah 84114-0872, telephone (801) 366-0310.

A hearing date has been set for Thursday, September 7, 2006, at 11:00 a.m., at the office of the Utah Division of Securities, located in the Heber Wells Building, 160 East 300 South, 2nd Floor, Salt Lake City, Utah.

If you fail to file an Answer, as set forth herein, or fail to appear at the hearing, the Division of Securities may hold you in default, and a fine and other sanctions may be imposed against you in accordance with Utah Code Ann. § 63-46b-11, without the necessity of providing you with any further notice. In lieu of default, the Division may decide to proceed with the hearing under § 63-46b-10. At the hearing, you may appear and be heard and present evidence on your behalf. You may be represented by counsel during these proceedings.

The presiding officer in this case is Wayne Klein, Director, Division of Securities, 160 East 300 South, P.O. Box 146760, Salt Lake City, UT 84114-6760, telephone (801) 530-6600. Questions regarding the Order to Show Cause and Notice of Agency Action should be directed to the Division's attorney, Jeff Buckner, at (801) 366-0310.

DATED this 31st day of July, 2006.

Wayne Klein

WAYNE KLEIN

Director, Division of Securities

Utah Department of Commerce



Certificate of Mailing

I certify that on the 2ND day of ~~July~~^{AUGUST}, 2006, I mailed, by certified mail, a true and correct copy of the Order to Show Cause and Notice of Agency Action to:

Thomas Mitchell Johnson
3341 Wedgewood Lane
Burbank, CA 91504

Certified Mail # 7005 1820 0002 0259 5967

Los Angeles County Jail
Inmate # 9134180, Thomas Mitchell Johnson
450 Bauchet Street
Los Angeles, CA 90015

Certified Mail # 7005 1820 0002 0259 5974

Pamela Radzinski
Executive Secretary